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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000867

SIPDIS

STOCKHOLM FOR SE GRAY, AMB MANN.

E.O. 12958: DECL: 09/12/2018

TAGS: [PGOV](#) [PREL](#) [AJ](#) [TU](#) [TX](#) [ENRG](#)

SUBJECT: TURKISH ENERGY MINISTER FOCUSED ON IRAQI GAS FOR
SHORT-TERM SOLUTIONS

Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b,d)

11. (C) Summary. In a September 9 meeting with Special Envoy 1C. Boyden Gray, GOT Energy Minister Hilmi Guler stressed that his focus was on solving Turkey's short-term gas needs. Between Iraqi and Turkmen gas, Iraqi gas seemed a more realistic option, and he sought USG help in ensuring that gas from the Iraqi Aqqaz field would flow north to Turkey without passing through Syria. He is seeking to "revive" the existing 1998 gas Sales and Purchase Agreement with Turkmenistan. He also offered to help the GOAJ and GOTX solve bilateral delimitation on the disputed Sardar-Kyapaz field, so the resulting gas, should there be a major find, could go to Turkey. End Summary.

12. (U) On September 9 a USG delegation headed by Special Envoy C. Boyden Gray met with GOT Energy Minister Hilmi Guler to discuss regional energy concerns. Also present were (USG) Eurasian Energy Coordinator Ambassador Steve Mann, Assistant Energy Secretary Katharine Fredrikson, Ambassador Derse, EnergyOff, (GOT) GOT Ambassador to Azerbaijan Hulusi Kilic, Botas Director General Huseyin Saltuk Duzyol, Nabucco Coordinator Osman Goksel, and Turkish Embassy Third Secretary Akdemir (notetaker).

13. (C) SE Gray said he would be traveling to Turkey on Monday, September 15 to participate in a USG-GOT working group. One topic would be transit of Caspian gas through Turkey to European markets. Turkey's energy security needs are a significant issue, and the USG wants to help, to include exploring all alternatives, especially Turkmen gas.

TURKEY NEEDS GAS

14. (C) Guler hoped that SE Gray would be able to complete his efforts before the US Administration changes. Gray noted that whoever wins the US Presidential election, the USG will continue its regional energy policies. The Minister said that he discussed energy the previous day with President Aliyev. Turkey sees Iraq and Turkmenistan as good gas supply sources, in addition to Azerbaijan, but developing these various gas fields takes time.

GOT WANTS SHORT-TERM SOLUTIONS

15. C) Guler said he has visited Kazakhstan and Turkmeistan, looking for a solution for Turkey's supplysecurity concerns, and Turkmenistan looked the better option. However, there is also the issue of transit security in Georgia, post-crisis. Half of Turkey's gas use is to produce electricity, and

Turkey must find some way to reduce its "gas pressure." Iran's cutting of gas to Turkey for 34 days in the winter highlighted Turkish energy vulnerability. Turkey is 90 percent dependent on foreign gas (60 percent from Russia and 30 percent from Iran. While agreeing with the principle that the long-term way to relieve Turkish gas supply and demand imbalance was to find alternatives to gas (coal, nuclear, wind) in addition to alternate sources of gas (expediting Black Sea exploration, for example), Guler stressed that he was concerned about the next five years - "we have to be quick...we need to find short-term, effective solutions." Turkey needs USG help and support in these efforts.

¶6. (C) Longer term, Turkey's goal is to halve its gas usage within ten years, and it seeks to become an example of renewable energy sources (nuclear and alternative energies), seeking to sell electricity to its neighbors. Joint ventures for energy sector construction in Turkey would be inexpensive, due to cheap labor. Turkey might not need as much gas if it uses solar and wind. However, although Turkey will seek to use all alternatives power generation, Guler said that "gas is critical for us."

IRAQI GAS

¶6. (C) Guler said Iraq was concerned about the directions gas from the Iraqi Agqaz field would flow, expressing a strong preference that it flow directly north into Turkey, as opposed to being routed to Turkey through Syria. Turkey opposes gas transit via Syria, and a direct northern routing would have greater supply security and would help establish

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regional security in Kurdish Iraq.

¶7. (C) Botas Director-General Duzyol said that Turkey's main energy problem was that "there was not enough gas) we need to attract maximum regional gas to Turkey." Iraqi gas was more realistic and hence more appealing to Turkey than Turkmen gas) while he was optimistic about Iraqi gas in the short-term, "I am not optimistic about Turkmen gas before 2020." Iraq has two promising fields in the North controlled by the central government, in addition to two fields in the Kurdish Regional Government area. If Iraqi gas goes through Syria, Turkey will lose volumes in transit. Guler added that when he spoke recently with Iraqi Energy Minister Shahrستاني, the latter confided that he did not want a new hydrocarbon law, preferring the status quo to continue. Telling the GOT note-taker not to write this down, he said he did not trust Shahrستاني, thinking him too close to Iran.

TURKMEN GAS

¶8. (C) Guler said the GOT goal was to "vitalize" the existing, valid 1998 30-year gas Sales and Purchase Agreement with Turkmenistan, 16 bcm/a of which would be for Turkey and 14 bcm/a for Europe. Implementing this contract would therefore help meet EU gas supply demand. Duzyol explained that this contract remains valid. Milestones which the GOTX hasn't yet met would trigger its implementation.. The delivery point could be the Georgian border, although when mentioned to Berdimuhamedov, the latter repeated the GOTX line that it sells its gas at its border. Guler said that for this Turkish-bound Turkmen gas the GOT prefers a cross-Caspian pipeline vice transit through Iran. Azerbaijan could build such a pipeline, approximately 380 kilometers. Conversely, GOT Nabucco Coordinator Goksel mused that a swap deal might exchange TPAO gas in the Black Sea with GOTX Caspian gas, and suggested that the USG "tell Petronas" to sell Block One gas to Turkey to facilitate such a swap.

¶9. (C) Guler added that the GOT was interested in developing "one or two other" Caspian GOTX blocks. The GOT needed to "brainstorm," perhaps choosing to partner with Petronas in developing Block One if Turkey had USG/GOTX support, with Turkey sending its share west. A second possibility was the

Sardar-Kyapaz field, possibly with TPAO involvement - gas from S-K "would be enough for us." Delimitation issues made developing this field "problematic," but perhaps Turkey could help GOTX-GOAJ solve delimitation. Azerbaijan could build the 60 kilometer pipeline needed from S-K. Guler said that the USG and GOT should combine efforts to help "convince the Azerbaijani side" to renounce any/all S-K claims. In speaking of the need to have major international companies develop GOTX onshore as well as offshore, Guler posed the question of whether it would be desirable to have Russian companies participate in such development.

¶10. (C) COMMENT: Guler's focus on solving Turkey's short-term gas needs to the exclusion of focusing on longer term development could well result in lessened GOT gas security. Although he did not take the hard line in this meeting, SOCAR interlocutors tell us that he is still insisting on eight bcm/a from Shah Deniz Phase Two instead of the four being offered, even though such a tack might well lead to the GOAJ not sanctioning Shah Deniz Two, giving Turkey zero Caspian volumes. END COMMENT.

¶11. (U) SE Gray, Ambassador Mann, Energy A/S Fredriksen did not have the opportunity to clear this cable.
DERSE